



Committed to the future of rural communities.

RURAL BUSINESS-COOPERATIVE PROGRAMS

RURAL ECONOMIC DEVELOPMENT LOAN (REDL) PROGRAM

The purpose of the Rural Economic Development Loan Program is to provide zero-interest loans to eligible USDA Rural Development electric and telephone program borrowers to promote rural economic development and job creation projects. Reference: Section 313 of the RE Act 7 CFR 1703, Subpart B.

Applicant Eligibility

Zero interest loans may be made, at the discretion of the Administrator, to any USDA Rural Development financed electric and telephone borrower that is not financially distressed, delinquent on any Federal debt, or in bankruptcy proceedings.

Loan Purposes

- To promote rural economic development and/or job creation projects, including, but not limited to:
 - ◆ Project feasibility studies.
 - ◆ Business expansion and start-up costs.
 - ◆ Business incubators.
 - ◆ Community development.
 - ◆ Advanced telecommunications and computer networks for medical & educational services.
 - ◆ Community antenna television systems or facilities (with restrictions).

Ineligible Purposes

- Any project in which any director, officer, manager or stockholder, or relative thereof, who has a significant ownership interest or which would, in the judgment of the Administrator, present a potential for, or appearance of, a conflict of interest.
- Costs incurred prior to receipt of the completed application, without prior written approval.
- Projects located in areas covered by the Coastal Barrier Resources Act or projects which would adversely impact the environment.

- For the purchase or lease of any real property materials, equipment, or services from the borrower, or significant stockholders, officers, managers, or close relatives thereof without the Administrator's prior written approval.
- To refinance any debt incurred prior to the receipt of the completed application.
- For any electric or telephone purpose.
- For the borrower's electric or telephone operation.
- Any operations affiliated with the borrower without prior written approval.
- To pay salaries or any employee or owner of the borrower or its affiliates.

Maximum and Minimum Sizes

Maximum size of loan: 3% of projected total funds available under Sec. 313 of the Act, during the Fiscal Year (FY), rounded to nearest \$10,000. Contact Rural Development for the maximum loan size. Minimum size of application is \$10,000.

Supplemental Funding Requirement

A project will not be selected unless supplemental funding is proved in an amount equaling at least 20% of the amount of the zero-interest loan provided by USDA Rural Development.

Supplemental funding may be provided by the project owner in the form of equity funds, private sources, State and Local government sources, other Federal Government sources, the USDA Rural Development utility program borrower, etc.

Terms of Zero-Interest Loan Repayment

- The promissory note covering the repayment of the zero-interest loan is between USDA Rural Development and the USDA Rural Development electric or telephone program borrower.
- Repayment terms on a loan to the borrower are based on the nature of the project. Ordinarily, the term, including any principal deferment period, will not exceed 10 years.
- Repayment by the recipient must equal the terms to the USDA Rural Development electric or telephone program borrower, unless approved by the Administrator.
- Principal repayments may be deferred for a period of up to two years by the Administrator. Ordinarily, the deferment for an established business will be limited to one year.

Policy

- Promote projects that will result in a sustainable increase in the productivity of economic resources in rural areas and thereby lead to a higher level of income for rural citizens.
- USDA Rural Development electric and telephone program borrowers promote economic development in rural areas and job creation projects that (1) are based on sound economic and financial analyses and (2) take a long-term perspective.
- Encourage economic development in rural areas and job creation projects without regard to service area.
- To promote financially viable projects.

- To encourage USDA Rural Development electric and telephone program borrowers to deposit funds in cushion-of-credit accounts.

Application Filing Period

- Applications may be filed on any official workday.

An “Application” Must Consist Of:

- Standard Form 424, “Application for Federal Assistance”.
- Board Resolution [ref. To 7 CFR 1703.34(2)].
- Miscellaneous Federal forms and certifications.
- Narrative discussion of the following:
 - ◆ “Selection Factors” as set forth in 1703.35;
 - ◆ “Project Description” as set forth in 1703.36;
 - ◆ Except for applications for feasibility studies, a discussion regarding the “Environmental Impact of the Proposed Project”.

Application Review

- The following factors will be considered in the selection process:
 - ◆ Nature of the project.
 - ◆ Job creation projections.
 - ◆ Long term improvements in economic development.
 - ◆ Diversifying the rural economy or alleviating under employment.
 - ◆ Supplemental funds.
 - ◆ Economic conditions and job creation.
 - ◆ Unemployment rates.
 - ◆ Per capita personal income.
 - ◆ Change in population.
 - ◆ Number of long-term jobs.
 - ◆ Community Based Economic Development Program.
 - ◆ Plan for improving the marketable skills of people in rural areas.
 - ◆ Location (rural).
 - ◆ Support for the program - funds deposited in the cushion-of-credit account.
 - ◆ Demonstration project.
 - ◆ Probability of success.
 - ◆ Special economic status.

Other Considerations

- Environmental requirements.
- Equal opportunity and nondiscrimination.
- Architectural Barriers Act of 1968.
- Flood Hazard Area Precautions.
- Real property acquisition and relocation.
- Debarment and suspension.
- Drug free workplace (grant only).
- Restrictions on lobbying.

For More Information

For more information contact your local USDA Rural Development Office or the USDA Rural Development State Office at:

USDA Rural Development
Attn: Business and Cooperative Programs Division
Federal Building, Room 152
100 Centennial Mall North
Lincoln, NE 68508-3888
Phone: (402) 437-5558 (voice)
(402) 437-5093 (TDD)

National Office Web site: <http://www.rurdev.usda.gov/rbs>
Nebraska Rural Development Web site: <http://www.rurdev.usda.gov/ne>
Nebraska State Office Telephone Number: (402) 437-5551
Nebraska State Office Facsimile Number: (402) 437-5408
Nebraska State Office TDD Number: (402) 437-5093

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